

## Message Text

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PAGE 01 NAIROB 16640 221402Z

ACTION EB-08

INFO OCT-01 AF-10 ISO-00 AGRE-00 CIAE-00 COME-00  
INR-07 LAB-04 NSAE-00 SP-02 STR-05 TRSE-00 FRB-03  
OMB-01 XMB-02 OPIC-03 PA-01 USIA-06 L-03 CTME-00  
/056 W

-----125323 221433Z /45

R 221330Z DEC 77

FM AMEMBASSY NAIROBI

TO SECSTATE WASHDC 3655

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DEPT PASS EXIMBANK AND OPIC

EO 11652: NA

TAGS: BBAK, ECON, KE

SUBJECT: KENYA'S AILING TEXTILE INDUSTRY SEEKS GREATER PROTECTION

1. DEBATE AND EDITORIAL COMMENT OVER ADDITIONAL PROTECTION MEASURES FOR THE AILING TEXTILE INDUSTRY HAVE RECENTLY ESCALATED IN KENYA'S PARLIAMENT AND PRESS. FOCUS IS ON THE MINISTRY OF COMMERCE AND INDUSTRY, WHICH HAS NOT YET ANSWERED STRONG REPRESENTATIONS FROM FABRIC PRODUCERS AND GARMENT MAKERS. SUBSEQUENT LAYOFFS AND MERGER DISCUSSIONS, ALONG WITH FREQUENT REFERENCE TO A MUCH-ABUSED IMPORT LICENSING PROCESS, HAVE FUELED THE CONTROVERSY.

2. IN SEPTEMBER, FABRIC PRODUCERS AND GARMENT MAKERS MET UNDER KENYA ASSOCIATION OF MANUFACTURERS (KAM) SPONSORSHIP, REACHING AGREEMENT THAT LOCAL FABRIC PRODUCTION, WITH A FEW EXCEPTIONS, MEETS LOCAL DEMAND (ONE KAM REPRESENTATIVE ESTIMATES A MAXIMUM 30 PERCENT OF CONSUMPTION NEED BE IMPORTED). ADDITIONAL PROTECTION MEASURES RECOMMENDED TO THE MINISTRY WERE ACCOMPANIED BY THE UNANIMOUS JUDGEMENT THAT IMPORTS OF READY-MADE GARMENTS AND

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PAGE 02 NAIROB 16640 221402Z

SECOND-HAND CLOTHING ARE EXCESSIVE. RECOMMENDATIONS INCLUDED A 40 PERCENT SALES TAX ON IMPORTED READY-MADES, THE HIGHER OF A 100 PERCENT OR 2.50 DOLLARS PER PIECE DUTY ON SECOND-HAND ITEMS, AND NEW IMPORT DUTIES RANGING FROM 1.50 DOLLARS/PIECE FOR WOMEN'S BRIEFS TO 50 DOLLARS/PIECE FOR JACKETS.

3. EMB COMMENT: DEVELOPMENT FINANCING INSTITUTIONS, PARAS-  
TATAL BODIES AND MAJOR INDUSTRIAL GROUPS, SUCH AS  
LONRHO AND MADHVANI, HAVE INVESTED HEAVILY IN FABRIC  
PRODUCTION. THE GARMENT INDUSTRY, CONSISTING OF MANY  
SMALLER FIRMS, IS DOMINATED BY THE INDIAN COMMUNITY  
AND HAS APPARENTLY CONTRIBUTED TO CORRUPTING THE IMPORT  
LICENSING AUTHORITY. THE EXACT CAUSE AND DEGREE OF THE  
INDUSTRY'S PROBLEM IS LOST IN A MUDDLE OF SCARCE DATA  
AND COMPETING CLAIMS. NEW PROTECTION MEASURES, HOWEVER  
STRINGENT, ARE UNLIKELY TO STEM THE IMPORT TIDE WITHOUT  
UNIFORM APPLICATION. THE PRESENT EXAMPLE ALSO PARALLELS  
MANY EARLIER CASES WHERE GOVERNMENT PROMISES OF PROTECTION  
FOR IMPORT SUBSTITUTION INDUSTRIES FAILED TO MATERIALIZE.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TEXTILE INDUSTRY, TEXTILES, INDUSTRY  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION EB  
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**Original Handling Restrictions:** n/a  
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**Review Release Date:** n/a  
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**Status:** NATIVE  
**Subject:** KENYA'S AILING TEXTILE INDUSTRY SEEKS GREATER PROTECTION  
**TAGS:** BBAK, ECON, KE  
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**Review Markings:**  
Margaret P. Grafeld  
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